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TAGS: [ENRG](#) [OECS](#) [EINV](#) [ECON](#) [XL](#)
SUBJECT: HESS OIL, ALTERNATIVE ENERGY GAINING GROUND IN ST.
LUCIA

SUMMARY

¶1. (SBU) In mid-September, the St. Lucian press was abuzz with the rumor that Hess Oil CEO John Hess had visited the island and met with the PM to discuss its long-planned seven billion U.S. dollar oil refinery. Local Hess Oil managers, however, told poloff that the alleged meeting never took place and that no decision has been made on the oil refinery. Hess Oil is the largest U.S. investor in St. Lucia and one of the largest U.S. investors in the Eastern Caribbean. It has an exemplary record of corporate social responsibility. While Hess has acquired the land for the oil refinery, it has not yet announced the start of the refinery project. At the same time, government and industry leaders are voicing increasing support for alternative energy projects -- the most promising new source of geothermal power sits athwart a UNESCO World Heritage site, making development a tricky proposition. End Summary.

HESS: LOOKING TO EXPAND?

¶2. (SBU) On July 3, poloff toured the Hess Oil plant and met with senior management. Active in St. Lucia since 1977, Hess Oil is the largest U.S. investor in the country and one of its largest employers, with over 120 full time employees. One hundred percent of St. Lucia's electricity is fueled by diesel fuel supplied by Hess. Most of the oil provided is imported from Venezuela, Brazil, and Trinidad. Hess was nominated by the Embassy for the Secretary's Award for Corporate Excellence (ACE) earlier this year.

¶3. (SBU) Hess management maintained that their interactions with Venezuela are friendly and continuing. Although only crude oil is stored in St. Lucia, Hess owns a refinery in St. Croix in a joint venture with Venezuela. Management does not believe the current St. Lucian government will sign on with Venezuela's PetroCaribe, but has nevertheless expressed its ability to profit from such a possibility. When the initiative was under consideration during the previous government of Dr. Kenny Anthony, Hess Oil began negotiating a partnership in which it would serve as a storage facility for PetroCaribe in the Eastern Caribbean. The plant maintains a 9 million barrel storage capacity, with 5 tanks of excess capacity on top of that. This arrangement was never finalized, but could easily be resurrected should the initiative gain momentum.

¶4. (SBU) Local press erroneously reported on September 7th that Hess Oil CEO John Hess and top corporate lawyers held meetings with PM King on September 6th. During that alleged

meeting, a final decision on the re-routing of a highway next to the proposed site was reportedly signed. Although Hess Oil's local management denies the meeting ever took place, the re-routing of the highway project is expected to begin within a few weeks, fueling speculation that the oil refinery project is finally on track.

ALTERNATIVE FUELS GAIN FANS, BUT NO PLANS

15. (SBU) Even as Hess expands its presence on the island, government and industry contacts are increasingly coming to the conclusion that St. Lucia needs to begin developing alternative energy sources. Most frequently mentioned as potential projects were wind power and geothermal. Although there is widespread agreement that the government needs to take action, there is no plan in place to move forward. This is a critical gap for St. Lucia, whose electricity costs are among the highest in the region.

16. (SBU) Poloff's commercial contacts were skeptical of St. Lucia's ability to make any headway into generating real alternative energy projects, noting that the power company has a 20-year monopoly and has been resistant to any alternative energy proposal. Nonetheless, the Ministry of Public Works confirmed that St. Lucia is serious about exploring alternative power sources, including wind, solar and geothermal. There is geothermal potential, but the geothermal site is located in a UNESCO world heritage site and developing it will require extensive negotiations with UNESCO to seek a waiver on the development restrictions imposed by this designation. At a minimum, it would require

horizontal drilling rather than direct drilling at the site.

COMMENT

17. (SBU) Some in the local business community, including a contact who works for Hess Oil, remain skeptical that the refinery project is in the cards any time soon. They described the earlier project as being a tax gambit and said the company was not serious about moving forward. However, some believe the discovery of a large oil field in Brazil to which Hess Oil has exclusive access may have altered the dynamics and could cause the long-awaited project to move ahead. Hess Oil was unaware of the press reporting of their CEO's alleged visit, and faxed a copy of the press report to their headquarters' legal office.

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